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September 24, 2004

TO: Each Supervisor

FROM: Thomas L. Garthwaite, M.D.   
Director and Chief Medical Officer

SUBJECT: **RESPONSE TO AUDITOR-CONTROLLER'S REVIEW OF THE  
KING/DREW MEDICAL CENTER AFFILIATION AGREEMENT**

This is in response to the Auditor-Controller's review of the King/Drew Medical Center's affiliation agreement with Drew University, which was conducted at the request of the Department of Health Services. Below are the Auditor-Controller's recommendations followed by the Department's response.

**Recommendation #1** - DHS modify the agreements to require Drew and other medical schools to submit detailed annual budgets for the use of agreement funds, and maintain detailed records of the actual use of agreement funds, including the number of hours worked by physicians and other staff providing services under the agreements.

**DHS RESPONSE**

We concur. We have included language in the new Agreement to address this recommendation.

**Recommendation #2** - DHS modify the agreements to require Drew to maintain individual timecards for physicians and other staff or some agreed upon equivalent time records, regularly monitor services provided by Drew, and only compensate Drew under the agreement for services documented in this manner.

**DHS RESPONSE**

We concur. We have included language in the new Agreement to address this recommendation.

**Recommendation #3** - DHS evaluate the difference in the cost per resident between Drew and UCLA and the differences in department chair compensation between KDMC and H/UCLA, and determine whether the differences are reasonable or if they indicate opportunities for cost savings.

**DHS RESPONSE**

We concur. An evaluation of the difference in the cost per resident between Drew and UCLA has been completed. An evaluation of the differences in department chair compensation between KDMC and H/UCLA will be accomplished by February 1, 2005, and appropriate action will be taken.

**Recommendation #4** - DHS management ensure that KDMC exchanges physician salary/stipend information with Drew at least annually, and that the salary information distinguishes between agreement and non-agreement related earnings.

**DHS RESPONSE**

We concur. We have included language in the new Agreement to address this recommendation.

**Recommendation #5** - DHS management require Drew to monitor to ensure that physicians' total compensation does not exceed the agreement maximum.

**DHS RESPONSE**

We concur. We have included language in the new Agreement to address this recommendation.

**Recommendation #6** - KDMC management monitor the number of residents enrolled in each training program, and ensure that the payments to Drew are appropriate based on the number of residents.

**DHS RESPONSE**

We concur. KDMC management will submit recommendations to the DHS Director by February 1, 2005.

**Recommendation #7** - KDMC management determine the number of residents enrolled in the training programs in the past, evaluate the prior payments to Drew, and seek reimbursement if appropriate.

**DHS RESPONSE**

We concur. KDMC management will determine the number of residents and complete an evaluation of prior payments by December 10, 2004. Reimbursement will be sought as appropriate.

**Recommendation #8** - DHS management evaluate the amounts paid to Drew and UCLA for the Nephrology and Cardiology programs.

**DHS RESPONSE**

We concur. An evaluation will be accomplished within 30 days and appropriate action will be taken.

**Recommendation #9** - KDMC require Drew to keep records of the actual clinical service staffing hours provided by service area.

**DHS RESPONSE**

We concur. We have included language in the new Agreement to address this recommendation.

**Recommendation #10** – KDMC monitor for compliance with the agreement clinical service staffing requirements.

**DHS RESPONSE**

We concur. We have included language in the new Agreement to address this recommendation, and KDMC will monitor to ensure compliance.

**Recommendation #11** – KDMC and DHS ensure that any significant variances in clinical service staffing are agreed upon by both parties in writing as formal agreement amendments.

**DHS RESPONSE**

We concur. Significant variances in clinical service staffing will be agreed upon in writing as formal agreement amendments.

**Recommendation #12** – DHS and Drew establish and implement a formal timetable to develop and implement performance measures to evaluate Drew's performance under the agreement and monitor for compliance.

**DHS RESPONSE**

We concur. We have included performance measures in Addendum B of the new Agreement.

Each Supervisor  
King/Drew Affiliation Agreement  
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If you have any questions or need additional information, please let me know.

TLG:sr

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors